

4.2 THE APD PROCESS FOR WIC ELECTRONIC BENEFITS TRANSFER (EBT)

The Food and Nutrition Service's (FNS) goal for WIC Electronic Benefits Transfer (EBT) is the development and implementation of an affordable system solution that replaces paper checks or vouchers with an electronic food instrument. This section of Handbook 901 provides guidance and information on EBT planning and implementation. Specifically, this section includes guidance to State agencies (SA) on how to determine whether to submit an APD for EBT versus an APD for a WIC information system (IS) when overlap exists in projects (Section 4.2.1); potential funding sources for WIC EBT (Section 4.2.2); requirements for APD document preparation and submission (Sections 4.2.3 and 4.2.4); and APD requirements for situations where the Supplemental Nutrition Assistance Program (SNAP) EBT contract includes WIC as an add-on program (Section 4.2.5).

The WIC EBT 5-Year Plan (<http://www.fns.usda.gov/wic/EBT/wicebt5yearplan.htm>) cites FNS' vision for EBT and lays the foundation for achieving EBT goals and objectives. FNS developed Appendix F, titled "Getting Ready for WIC EBT," for SA's beginning the process for undertaking an EBT project. State agencies should contact their FNS Regional Office prior to embarking on EBT to obtain assistance and guidance.

To assess progress in EBT implementation nationwide, FNS has divided WIC EBT projects into phases (not to be confused with the standard phases found in the System Development Life Cycle (SDLC)). WIC EBT phases are planning, pilot project implementation, and statewide expansion. During the planning phase, State agencies are required to submit to FNS for approval a Planning APD (PAPD). Prior approval of the PAPD must occur before the SA expends funds for EBT planning activities. Next is EBT pilot project implementation followed by EBT statewide expansion. Prior approval of an Implementation APD (IAPD) is required before the SA expends funds for pilot project implementation and statewide expansion.

Specific documentation is required to receive prior approval to spend funds on WIC EBT initiatives. FNS will make every attempt to approve documents as soon as possible, but not greater than 60 days from the date of receipt. All EBT documents must be submitted to the WIC EBT Coordinator at the FNS RO. (Electronic submission of these documents is preferred.) The RO will be responsible for forwarding SA documents to the Supplemental Food Programs Division at FNS Headquarters for concurrent review and approval. **The FNS State Systems Office is currently not a part of the review and approval process for WIC EBT documents.** The following is a list of WIC EBT document types required for review and prior approval.

- PAPD
- Paper Cost Analysis
- Feasibility Study
- Request for Proposals (RFP) or other procurement documents
- Contracts
- IAPD

- APD Updates (Annual and As Needed)
- Cost Evaluation
- Statewide Expansion Retailer Management Plan

A detailed discussion of these documents follows in this chapter.

4.2.1 EBT APD VERSUS INFORMATION SYSTEM (IS) APD WHEN OVERLAP EXISTS IN PROJECTS

This section is intended to help SA's prioritize needs when faced with an aging system that needs replacement and the desire to move away from paper benefits to an electronic solution. Experience has shown that taking on a new IS and EBT at the same time adds risk to an automation project and can impact a successful outcome. Implementing a new WIC system and an EBT system at the same time can be done, but it is not advisable. The development and implementation of EBT in the WIC Program is a complex process and requires dedicated staff and resources. The magnitude of undertaking a WIC EBT project should not be underestimated. Thus, FNS strongly recommends that IS and EBT projects be implemented consecutively rather than concurrently. Ideally, State agencies should upgrade their information system in advance of EBT implementation.

When implementing a new WIC system, State agencies should include clinic functions that will enable them to eventually implement EBT. Information on IS functionality to support EBT can be found in the Functional Requirements Document for a Model WIC Information System (FReD). See http://www.fns.usda.gov/apd/WIC_FRED.htm for FReD documents. The APD requirements in Chapter 4.1 of Handbook 901 should be followed for a WIC system automation project. It is likely that modifications to the State agency's WIC clinic system will be necessary as part of the EBT project. The EBT PAPD or IAPD should discuss which IS functions will be modified and identify them in a separate section within the EBT document(s). Clearly delineating these IS-type functions and needed system modifications will facilitate internal FNS review and approval.

If in doubt as to whether to follow the APD requirements for a WIC IS or the APD requirements for a WIC EBT system, State agencies should contact their FNS RO.

4.2.2 FUNDING FOR EBT PROJECTS

There are several funding sources for WIC EBT. State agencies may use their nutrition services and administration (NSA) grant funds, regional operational adjustment (OA) funds, special EBT grant funds and/or regional infrastructure funds. A combination of these funding sources may be used for EBT planning, implementation, and expansion. Decisions related to the type of funding used will depend on availability, application timelines, life of the funds, etc.

State agencies must follow the APD process when moving forward with EBT using any funding received outside the special EBT grant process, which includes NSA, OA, regional infrastructure funds, or non-WIC funds. State agencies must obtain prior approval from FNS for all proposed expenditures for EBT, **regardless of dollar threshold or funding source**. Approval of an EBT PAPD, IAPD or APD Update (APDU) does not guarantee the availability of funds.

Limited funding may be available to State agencies through the WIC EBT grant process. Notification of the availability of FNS EBT grants occurs annually, along with instructions for submitting an application. Grant funding is cyclical and is dependent upon funds appropriated by Congress.

State agencies applying for a grant should follow the application requirements specified in the grant announcement. Grant application requirements closely align with the WIC EBT APD requirements. Where applicable, information prepared for the PAPD or IAPD is usable in the grant application. If a State agency applies for and receives EBT grant funds, and does not have an approved PAPD or IAPD, FNS may accept the grant proposal document as a substitute for the APD. If there is a need for additional funding beyond the initial grant, State agencies must compete with other WIC EBT projects for any future grant funds should they become available.

4.2.3 WIC EBT PLANNING APD (PAPD)

A PAPD is required for EBT regardless of dollar threshold, except as described in section 4.2.2 above. The PAPD provides FNS, as well as State agency officials, with notification of the SA's intent to begin a formal planning process and describes the EBT planning activities and SA management of the activities. Section 4.2.3.1 identifies the types of planning activities that should be included in a PAPD. Should the State agency decide to expand the scope of planning activities after the PAPD has been approved, an APD Update As-Needed (see Section 4.2.7) is required to be submitted for prior approval.

4.2.3.1 EBT PLANNING ACTIVITIES

Planning encompasses a wide range of activities. Appendix G is provided as a resource. An analysis of the cost of the paper benefit delivery system is an essential component of the planning process, as is a feasibility study.

Cost Analysis

The PAPD must identify the need for a comparative analysis of paper costs and EBT operational costs using the EBT national cost evaluation tool (or other approved tool) as a guide, and describe how the comparative analysis will be accomplished. The purpose of the EBT cost analysis is not to prove that EBT costs will be less than paper costs, but the analysis must show that EBT is affordable, i.e., can be sustained within the State agency's NSA budget. FNS policy requires State agencies operate EBT systems using

their NSA funds once the system is operational statewide. For those State agencies re-procuring an EBT system, a paper cost analysis is not necessary. However, a cost analysis is still required to show that the new EBT system is affordable.

Identification of EBT costs is an iterative process. The cost analysis performed during the EBT planning process will be refined during pilot implementation as more accurate cost data becomes available. Following is a list of potential areas for cost savings resulting from elimination of paper food instruments. This list is not all-inclusive. State agencies may wish to contact existing EBT State agencies to obtain additional information.

- Banking costs
- Food instrument handling, storage, and printing
- Food instrument reconciliation
- Accounting for food instrument disposition
- Processing of rejected food instruments
- Review of overcharges or other discrepancies, if not done by the bank
- Fewer vendor hearings/appeals through elimination or reduction in overcharges
- Follow-up on pre-payment and post-payment overcharges, if not done by the bank
- Reductions in vendor training on allowable foods
- Staff time spent on vendor management

Following is a list of potential areas for cost increases resulting from EBT. This list is not all-inclusive. From the list below, start-up costs versus on-going operational costs need to be determined and factored into the overall cost analysis.

- Testing and demonstration
- Travel
- Review and evaluation
- Retailer equipment purchase
- Retailer system certifications
- Retailer equipment maintenance and support
- Retailer integration
- Third party processor
- EBT contractor
- Training
- State staffing
- Technical staffing
- Computer equipment (clinic and State)
- EBT cards and card management
- MIS software modifications and interfaces
- Settlement, claims processing, and associated reports

EBT costs will differ depending upon the card technology selected, i.e., smartcard or magnetic stripe card and the decision to process transactions in-house or to hire an EBT contractor for this function.

Feasibility Study

The feasibility study should include all of the following components to determine whether EBT is feasible within the State's operating environment:

- WIC Information System (IS) Capability – Assess the readiness and practicality of adapting the WIC IS to electronically issue and track benefits.
- WIC Business Capacity – Assess the skills and abilities and organizational impact an EBT system will have on WIC Program and IS staff and services.
- Retailer Technical Capabilities – Survey a sample of WIC-approved retailers for their readiness for EBT. Assess their ability, readiness and desire to integrate EBT in their Electronic Cash Register (ECR) system.
- Retailer Equipage – Analyze and plan for retailer equipage strategies – integrated and stand-beside.
- Financial Considerations – Assess EBT effects on financial payments to vendors – through the State agency or a bank. Assess whether on-going EBT needs are best handled by internal State agency staff or an EBT processor.
- Infrastructure Considerations – Assess WIC clinic telecommunications capabilities and any other operational issues.
- Electronic Card Options – Examine the choices of cards for the development, testing, and evaluation of integrated EBT solutions.
- Recommend a Technical Solution – Analyze the state of the various available EBT technologies and vendors and assess whether EBT can be a cost-effective solution.
- Recommend a Plan – Based on pertinent data, recommend a 2-5 year plan for the State to pursue WIC EBT.

4.2.3.2 REQUIRED DOCUMENTATION CONTENTS FOR A PAPD FOR EBT

Before preparing the PAPD, the State agency should also consult with their internal State IT department to determine whether any additional documents or procedures are required as part of the State's internal monitoring process or if the PAPD requirements will suffice.

The following components are required when submitting a PAPD for EBT:

Transmittal Letter – Cover letter, signed by the appropriate State official with authority to commit State resources for the project.

Table of Contents – Contains page numbers for each component of the PAPD beginning with the Executive Summary.

Executive Summary – Describes at a high level (approximately one page) the proposed planning activities, the procurement plan, and the total funds requested. It should focus on overall planning goals and objectives, including project scope and duration.

Project Description – Address the following:

- **Narrative Statement** – Describes the planning activities to be undertaken and EBT planning activities conducted to date and the outcome of those activities. Include analysis of baseline paper food instrument costs and anticipated operational EBT costs, if available, or an estimated timeline for completion of this cost analysis. In addition, it should explain any compelling reasons why EBT is being pursued by the State agency at this time, such as a State mandate, if applicable. Finally, if other entities will be involved in the project, they should be identified.
- **Procurement Plan** – Addresses open competition and coordination with State information technology, contracts management, and coordination with the Supplemental Nutrition Assistance Program (SNAP) staff to prevent conflicts of interest. The procurement plan should describe the procurement method to be used (i.e., secure contractor assistance or conduct the project in-house) and the contractor resources to be devoted to the project.
- **Project Manager** – A project manager must be identified or plans to hire a project manager must be stated. The project manager must either be a certified project manager or have project management experience.
- **Staffing and Project Management** – Discusses the State agency's strengths, resources, and experience that indicate the ability to carry out the project. This includes discussion of dedicated State resources available to manage the project and the percent of time key personnel will devote to the project. The requirements should explain the use of existing staff during the planning phase, and if contractor assistance will be required.
- **Schedule / Timeline of Activities, Milestones, and Deliverables** – Includes a project timeline that outlines the key planning tasks, events, dates, and deliverables for the project. Milestones with major Go/No-go decisions should be identified within the schedule.
- **Proposed Budget** – Identifies estimated State and contractor costs associated with the planning phase. A budget narrative to justify the funds to be expended should explain how the estimated costs were derived, including salary information for State and local staff that will be utilized, and information in support of State travel, if applicable. Budgets must be broken out by federal fiscal year and fiscal

year quarter. Source of funding should also be addressed. Details are provided in Section 7.5.

Cost Allocation Plan (as appropriate) – Describes the methodology used to determine the share each entity will pay in a joint planning effort. Details are provided in Section 7.3

State Agency / Contractor Assurances – If IS modifications are to be identified as an activity in the EBT PAPD, the State Agency must provide assurances that the system modifications will be planned in accordance with existing standards. This would include the ASC X9, Inc., standards for EBT, commonly known as ANSI X9.93 standard message and batch formats for electronic transaction processing and ANSI X9.108 retailer interface specifications for smartcards. Cards must be consistent with industry card standards for magnetic stripe cards and smartcards used in financial payment systems. Systems should have the capability to use data downloaded from the National Universal Product Code Database. This assurance should be included in the State's appropriate procurement contracts. State Agencies should contact FNS for more information concerning these and other standards that may be applicable.

4.2.4 WIC EBT IMPLEMENTATION APD (IAPD)

Once the State agency has completed all PAPD activities and the results of those activities are favorable for EBT implementation, the SA must prepare an IAPD to initiate an EBT project. As noted in Section 4.2, FNS has divided WIC EBT projects into phases (not to be confused with the standard phases found in the SDLC). WIC EBT phases are planning, pilot project implementation, and statewide expansion. The EBT IAPD must address both the EBT pilot and statewide expansion. Prior approval of an Implementation APD (IAPD) is required before the SA expends funds for pilot project implementation / statewide expansion.

4.2.4.1 Pilot Project Implementation and Statewide Expansion Requirements

The IAPD for pilot project activities identifies funds expended to date and funds for which prior approval is sought. The IAPD should describe the scope of the pilot project (number of participants, clinics and retailers), the anticipated duration of the pilot project, and cost evaluation plans. If the State agency has determined through its planning efforts that a pilot project is not feasible due to its small size, and this is an FNS approved approach, a State agency may implement EBT statewide without conducting a pilot project.

The IAPD should identify all resources, both State and contracted, required for this phase. It should also address open competition and coordination with State information technology, contracts management, and WIC staff.

The following is a general description of the requirements for IAPD documentation. Once pilot project implementation is achieved, the State agency must evaluate costs (paper, pilot, and expansion) prior to statewide expansion to determine affordability of the EBT system. The scope of the cost evaluation will be determined by FNS on a case-by-case basis.

4.2.4.2 REQUIRED DOCUMENTATION CONTENTS OF AN IAPD FOR EBT

Transmittal Letter – Cover letter, signed by the appropriate State official with authority to commit State resources for the project.

Table of Contents – Contains page numbers for each component of the IAPD beginning with the Executive Summary.

Executive Summary – Describes at a high level (approximately one page) the proposed implementation activities, the procurement plan, and the total funds requested. It should focus on overall implementation goals and objectives, including project scope and duration.

Project Description – Address the following:

- **Narrative Statement** – Describes the implementation and pilot activities to be undertaken by the State Agency, a description of the WIC EBT automation initiative and the specific activities for which funds will be used, the total anticipated funds required for the EBT pilot phase, and the duration, scope (number of participants, clinics, and retailers), and cost evaluation plans. The summary must also describe general plans for statewide expansion, assuming that EBT is affordable within the State agency's NSA grant.
- **Procurement Plan** – Addresses open competition and coordination with State information technology, contracts management, and coordination with the Supplemental Nutrition Assistance Program (SNAP) staff to prevent conflicts of interest. The procurement plan should describe the procurement method to be used (i.e., secure contractor assistance or conduct the project in-house) and the contractor resources to be devoted to the project.
- **Project Manager** – A project manager must be identified. The project manager must either be a certified project manager or have project management experience.
- **Staffing and Project Management** – Discusses the State agency's strengths, resources, and experience that indicate the ability to carry out the project. This includes discussion of dedicated State resources available to manage the project and the percent of time key personnel will devote to the project. The

requirements should explain the use of existing staff during the implementation phase, and if contractor assistance will be required.

- **Schedule / Timeline of Activities, Milestones, and Deliverables** – Includes a project timeline that outlines the key tasks, events, dates, and deliverables for both the pilot and statewide expansion. Milestones with major Go/No-go decisions should be identified within the schedule. The timeline for statewide expansion may need to be adjusted as the project continues.
- **Proposed Budget / Budget Narrative** – Identifies estimated WIC SA and contractor costs associated with the pilot phase. A budget narrative must explain how the estimated costs were derived, including salary information for State staff that will be utilized, and information in support of State travel, if applicable. Details are provided in Section 7.5. A budget associated with the statewide expansion phase must also be included, with a narrative description of each cost area and the basis for the estimated costs. Budgets must be broken out by Federal fiscal year and by quarter. Source of funding must also be addressed. Since these costs may be difficult to accurately estimate at the time the IAPD is submitted, an updated budget may need to be submitted at a later date.

Cost Allocation Plan (as appropriate) – Describes the methodology used to determine the share each entity will pay in a joint project effort. Details are provided in Section 7.3.

State Agency / Contractor Assurances – In the IAPD, the SA should provide assurances that the EBT system will be in compliance with all FNS standards, including:

1. National Universal Product Code (UPC) Database Interface. If the IAPD is for development of the capability to utilize UPC data downloaded from the National UPC Database, the IAPD must include State agency assurances that the SA's information system will adopt the UPC Category/Subcategory coding scheme developed by FNS.
2. Technical Standards. The SA must agree to use the ASC X9, Inc. standards for EBT, commonly known as ANSI X9.93 standard message and batch formats for electronic transaction processing. Formats must conform to those currently in use by other SA's. The SA must also agree to use the ANSI X9.108 retailer interface specifications for smartcards. Cards must be consistent with industry card standards for magnetic stripe cards and smartcards used in financial payment systems.
3. Standard Business Practices. The SA must agree to use the standard business practices and/or technical specifications developed for WIC EBT (see http://www.fns.usda.gov/apd/Library/WIC_EBt_docs.htm) for more information).

Pilot Project Retailer Management Plan - The pilot project retailer management plan should elaborate on the pilot project scope and must address each of the following:

- Identification of clinics and retailers in the pilot area and reason for their selection
- Number of participants to be issued EBT benefits in the pilot area
- Timeline for achieving retailer integration
- Number of lanes to be equipped in each pilot grocery store
- Prepare retailer integration requirements documentation and certification criteria
- Use of SA and contractor resources for retailer management
- Retailer training for stand-beside and integrated systems
- Equipment deployment for non-integrated food vendors, including associated costs for this as either an up-front investment and/or as an ongoing expense under the SA's NSA grant

Request for Waiver of Depreciation (if desired) – Provides a means for expensing capital expenditures, rather than depreciating them, to financial benefit the Federal Government. Refer to Section 7.2.7 of Handbook 901 for details or consult with FNS to determine whether this component is necessary.

Security Planning – Describes the approach for ensuring the physical, electronic, and operational security of the system including hardware, software, data, communications, facilities, and so forth. This encompasses business continuity and disaster recovery planning. Security for selection and use of Personal Identification Numbers (PINs) by WIC participants must adhere to FNS guidelines and industry standards such as 3DES or higher encryption methods. Refer to Section 8.7 of Handbook 901 for details.

Training Plan – Describes how all system users, including technical, SA, end users, and clients, as applicable, will be provided with training on the application. See Section 2.3.2.1 of Handbook 901 for a detailed definition.

Cost Evaluation – A cost evaluation must be submitted following the pilot project and before statewide expansion. FNS will determine the scope of the evaluation on a case-by-case basis. The National Cost Evaluation tool developed by FNS or a similar tool approved by FNS can be used for this cost assessment. The National Cost Evaluation tool compares paper costs to EBT pilot project operating costs and projects a statewide cost, which is essential to ensure that EBT is affordable within the SA's NSA grant once statewide EBT operations are achieved. Cost data obtained during the EBT planning phase may be used as a starting point for this evaluation.

Statewide Expansion Retailer Management Plan - Once the State agency cost evaluation has been approved, a retailer management plan for statewide expansion must be submitted and approved before rolling out beyond pilot. The State agency may want to modify the Plan developed during the pilot to reflect the changes needed for statewide expansion. The Plan should address each of the following:

- A timeline reflecting a phased approach to statewide implementation with identification of clinics and retailers to be covered in each phase
- Timelines for achieving retailer integration in relation to conversion of the clinic locations to EBT implementation
- Number of lanes to be equipped in each grocery store
- Prepare retailer integration requirements documentation and certification criteria
- Use of SA and contractor resources for retailer management
- Retailer training for stand-beside and integrated systems
- Equipment deployment for non-integrated food vendors, including associated costs for this as either an up-front investment and/or as an ongoing expense under the SA's NSA grant.

Statewide Expansion Clinic Management Plan – A Clinic Management Plan must be submitted and approved before rolling out beyond pilot. This Plan should address each of the following:

- Installation of equipment – card readers, PIN pads, printers
- Training on cards
- New or revised clinic procedures and policies, including participant transfers
- Clinic workflow analysis, such as separation of duties – certification from card issuance
- Assessment of clinic office set-up to determine if modifications are necessary
- Clinic conversion schedule to coincide with client training and EBT card issuance

4.2.5 SNAP EBT CONTRACTS WITH WIC AS AN ADD-ON PROGRAM

Some State SNAP EBT contracts contain provisions to add on other programs, including the WIC Program. An IAPD/IAPDU will be necessary to obtain prior approval for WIC EBT systems. The contract mechanisms the SA wishes to use to procure such services, specific WIC EBT requirements, contract provisions relating to performance standards specific to WIC, and non-WIC provisions that would not be applicable to WIC EBT operationally should be addressed as part of the APD.

4.2.6 REQUEST FOR PROPOSALS (RFP)

RFP's must be submitted to FNS for prior approval before releasing an RFP for contractor services. Please refer to Section 2.8 for more details.

If the State agency plans to release an RFP (or RFPs) to secure contractor assistance, the final RFP must be approved by FNS prior to release. The RFP should provide full details about the current system so bidders can recognize and plan for all aspects of system integration and interface. The time required to prepare one or more RFP's, obtain FNS approval, receive and evaluate bids, and award a contract must be factored into the PAPD or IAPD schedule.

4.2.7 ADVANCE PLANNING DOCUMENT UPDATE (APDU) FOR EBT

The requirements for APDU Annual and an APDU As-Needed are the same for WIC IS automation initiatives and WIC EBT. See Section 4.1.8 of Handbook 901 for details.

4.2.7.1 Annual APDU

As the project progresses, an annual update must be provided to FNS. This update is due annually within 90 days from the one-year anniversary date in which the IAPD was initially approved. The APD Update should discuss accomplishments to date, any problems that may have caused delay, and an updated project schedule and budget. Budgets should be broken out by Federal fiscal year and by quarter. See Section 4.1.9 of Handbook 901 for details.

4.2.7.2 APDU As-Needed

In addition, any time the budget changes more than 10 percent or there is a change in project scope, a significant change in schedule, or a change in procurement strategy, an APDU As-Needed must be submitted. See Section 4.1.10 of Handbook 901 for details.

4.2.8 EBT PROJECT MANAGEMENT

A project manager must be identified or plans to hire a project manager must be stated. The project manager must either be a certified project manager or have project management experience. The project management plan should identify the staff resources to be devoted to the project, whether new positions will be created, and the percent of time key personnel will devote to the project. See Chapter 5.0 for detailed Project Management guidance. Exceptions to this requirement will be approved on a case-by-case basis; however, in any case, a designated lead person must be identified.